



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 26, 2010

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Introduction Of Ordinance For Extension Of Firefighters MOU
Through June 30, 2013

RECOMMENDATION:

That Council ratify a 30-month extension to the 2007-2010 Memorandum of Understanding between the City and the Santa Barbara City Firefighters' Association by introduction and subsequent adoption of, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Extending the 2007-2010 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara City Firefighters' Association through June 30, 2013.

EXECUTIVE SUMMARY:

The City and the Firefighters' union, the Santa Barbara City Firefighters' Association, have reached a tentative agreement to extend the existing 2007-2010 Memorandum of Understanding (MOU) for 30 months and to include both short-term labor concessions and long-term wage and benefit increases in the extended agreement.

Under the agreement, employees will participate in the Public Employees Retirement System (PERS) retirement cost-sharing equal to 4.982% of earnings effective January 2011, and reduced to 2.982% in the next two fiscal years. Employees will delay a 3% salary increase they were entitled to receive in July 2010; 1.5% will be delayed by one year and 1.5% will be delayed by 18 months. Suppression employees will take 24 hours fewer of holiday time in each fiscal year, resulting in overtime savings. Prevention employees will take 16 hours of furlough (leave without pay) in the first two fiscal years. While concessions are in place, the City agrees to maintain minimum staffing levels, subject to the Council's ability to reduce staffing and restore concessions prospectively.

Employees will receive family medical benefit cap increases of \$165 in January 2011, \$121 in January 2012, and \$132 in January 2013. Employees will receive two 1.5% salary increases in the last year, Fiscal Year 2013, one in July and one in January. The City may reopen negotiations to reconsider these salary increases upon the declaration by the City Council of a fiscal emergency.

The agreement will result in reduced net labor costs in Fiscal Year 2011 of \$726,621 (equivalent to about -5.5% salary) and \$419,077 (equivalent to about -3%) in Fiscal Year 2012. In Fiscal Year 2013 net labor costs will increase by a modest \$63,910 (less than 0.5%). At the end of Fiscal Year 2012 the temporary labor concessions will expire, leading to ongoing labor cost increase of \$668,271 (+5.0%) in subsequent years.

DISCUSSION:

Although they have an existing labor agreement extending through December 31, 2010, firefighters began voluntarily meeting with City negotiators in January of this year to discuss the City's Fiscal Year 2011 projected General Fund budget deficit and explore possible labor concessions designed to protect services to the public. After extended solution-oriented discussions, negotiators have reached a tentative agreement for a 30-month extension to the existing July 1, 2007- December 31, 2010 MOU. This agreement is consistent with the authority provided to negotiators by the City Council and is expected to be ratified by the Association membership on October 22, 2010, prior to Council consideration of this action.

The agreement includes short-term labor concessions, long-term wage and benefit increases, and other agreements as follows:

Retirement cost-sharing

Under the agreement, employees will participate in California Public Employees Retirement System (PERS) cost-sharing beginning at a rate equal to 4.982% of earnings effective January 15, 2011, and reduced to 2.982% from June 18, 2011 through June 30, 2013. Employees currently do not contribute toward the PERS retirement plan.

There are three ways to accomplish employee retirement cost-sharing according to PERS staff:

- One is for the employee to contribute toward the 9% PERS member contribution. This reduces both the City EPMC (employer paid member contribution) and the cost of the roll-up benefit, under which the City reports the EPMC to PERS as additional compensation for retirement calculation purposes. Of the three methods, this method requires the lowest employee contribution to achieve similar City savings and can be applied to different employee groups separately. However, this negatively affects the employee's retirement calculation by reducing the reported single highest year of compensation.
- The second way is for employees to reimburse the City directly for part of the cost of the "3% at 50" benefit enhancement negotiated in 2001, as contemplated under CA Government Code Section 20516(f). This does not affect the roll-up benefit and can be applied to different employee groups separately, but must be done on a post-tax basis and must be done completely outside of the PERS retirement

system. Because the roll-up benefit is not affected, in order to achieve similar City savings, employees must contribute a higher percentage amount than under the first method.

- The third way is to share part of the cost of the 2001 3% at 50 benefit enhancement by amending the PERS contract pursuant to CA Government Code Section 20516(a), which reduces the City's required employer contribution. The advantage to employees of using this method is that it does not affect the roll-up benefit, the contributions can be made on a pre-tax basis, and contributions are credited to the member's account and refundable in the event the member does not retire under the PERS system. This method must apply to all plan members, so it cannot be applied to different employee groups separately. As with the second method, in order to achieve similar City savings, employees must contribute a higher percentage amount than under the first method.

Under this agreement, employee cost-sharing will be accomplished through the third method outlined above, a PERS contract amendment under the Government Code Section 20516(a). This will require a member election of participants in the City's Fire Safety PERS plan. The contract amendment process will proceed as quickly as possible, but generally takes four to six months to complete. In the interim, cost-sharing will be accomplished through the second method, payment directly to the City as contemplated under CA Government Code Section 20516(f). This is also the method that will be used if for some reason cost-sharing via contract amendment cannot be accomplished, such as if the member election fails to approve the contract amendment.

Staff will return to Council with the necessary documents to hold the PERS election and modify the PERS Fire Safety contract. Since a PERS contract modification is applied to all participants in the Fire Safety Plan, staff will also return within the next few weeks with a recommendation for incorporating this into salary and benefit adjustments for Fire Management.

Salaries

Employees will delay a 3% salary increase that they were entitled to receive on July 3, 2010. In a gesture that is indicative of the cooperation displayed by this group from the outset, the Firefighter's union had already agreed to temporarily forego receipt of this increase pending the conclusion of our discussions. Under this agreement, employees will now permanently delay this increase until next fiscal year, with 1.5% delayed by approximately one year, until June 16, 2011 and 1.5% delayed by approximately 18 months, until January 14, 2012.

In the third year of this agreement, employees will receive two new salary increases: 1.5% effective July 15, 2012 and 1.5% effective January 12, 2013. These increases will be offset in Fiscal Year 2013 by continuing labor concessions, but will increase ongoing labor

costs by 3% in Fiscal Year 2014 and thereafter. The agreement includes a re-opener on these salary increases in the event of a Council-declared fiscal emergency.

Medical Benefits

Employees will receive family medical benefit cap increases of \$165 in January 2011, \$121 in January 2012, and \$132 in January 2013. These increases will be offset during the term of the agreement by continuing labor concessions, but will increase ongoing labor costs by 2% in fiscal year 2014 and thereafter.

Other Agreements

Suppression employees will take 24 hours fewer of holiday time each year, resulting in savings since these employees will not need to be back-filled by another employee at overtime. Prevention employees (fire inspectors) will take 16 hours of furlough (leave without pay) in Fiscal Years 2011 and 2012.

While concessions are in place, the City has agreed to reduce Suppression staffing through attrition to minimum staffing levels and then maintain those levels. Minimum staffing levels are those necessary to regularly staff existing shifts, stations, and equipment. Relief shifts that are vacated due to turnover, vacations, and other absences will be filled through overtime. This will result in the eventual reduction of 3 existing relief positions. Staffing a shift through overtime costs slightly less than staffing it with a relief position since PERS contributions rates are not applicable to overtime pay. Staffing these shifts with overtime should reduce City costs and increase overtime opportunities for remaining staff.

The staffing agreements are subject to the requirements of Article X, Section 1008 of the City Charter, which preserves the Council's ability to do layoffs. In the event the Council chose to do that, however, employee concessions under the remainder of the agreement would be restored.

Finally, the City has agreed to coordinate paid leave banks with benefits received through the Association-provided long-term disability (LTD) insurance benefits. This will result in very little administrative burden and no increased cost to the City.

BUDGET/FINANCIAL INFORMATION:

In the first two years, this agreement is expected to lead to City savings.

The Fire Department Fiscal Year 2011 budget currently includes \$706,335 in estimated General Fund labor savings from this group. When this agreement was reached, the General Fund cost savings had been estimated to be \$710,132, equivalent to a 6% salary decrease. However, a costing error on the City's part was later discovered. This agreement honors the initial tentative agreement, and the Fire Chief has assured staff that the difference can be absorbed in the existing department budget. In the first year,

actual savings from this agreement will be \$726,621 citywide, with \$635,368 of that accruing to the General Fund, equivalent to approximately a 5.5% decrease in salary. In Fiscal Year 2012, savings will be \$419,077 Citywide, with \$362,162 of the savings accruing to the General Fund. This is equivalent to about a 3% salary decrease. In Fiscal Year 2013 net labor costs will increase by a modest \$63,910 Citywide and \$62,381 in the General Fund (less than +0.5%).

At the end of Fiscal Year 2013, the temporary labor concessions will expire and the ongoing elements will result in ongoing costs of \$668,271 (+5.0%) Citywide and \$587,913 in the General Fund.

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APPROVED BY: City Administrator's Office